

Honolulu, Hawaii

February 7, 2014

RE: H.B. No. 2525

H.D. 1

Honorable Joseph M. Souki
Speaker, House of Representatives
Twenty-Seventh State Legislature
Regular Session of 2014
State of Hawaii

Sir:

Your Committee on Health, to which was referred H.B. No. 2525
entitled:

"A BILL FOR AN ACT RELATING TO HEALTH INSURANCE RATES,"

begs leave to report as follows:

The purpose of this measure is to require individual health insurance plans and small group plans to establish premium rates based upon pure community rating.

The Community Alliance for Mental Health provided testimony in support of this measure. The Department of Commerce and Consumer Affairs submitted testimony in opposition to the measure. The Governor's Office of Healthcare Transformation and Hawaii Primary Care Association submitted comments.

Among the many insurance market reforms in the federal Patient Protection and Affordable Care Act (PPACA) is the requirement for health insurance premium rates in the individual and small group markets to vary no more than a ratio of 3:1 based upon age. Generally, this permits insurance premium rates for older insureds to be as much as three times the premium rates for younger insureds. Your Committee finds that given the high percentage of older persons in Hawaii's population, this premium rate ratio will require older insureds to pay disproportionately high health insurance premiums. Your Committee believes that a "pure" community rating, or a ratio of 1:1, would produce a more



equitable balance of insurance premium rates across all age groups.

Your Committee notes that the PPACA encourages states to seek innovative approaches to providing comprehensive affordable care. Section 1332 of the PPACA allows states to seek innovation waivers from the United States Department of Health and Human Services from specific requirements relating to qualified health plans, health insurance exchanges, and certain premium subsidies. Your Committee also notes that Hawaii has a long history of finding novel and effective approaches to providing access to health insurance for its uninsured and underinsured persons of all income levels. Accordingly, your Committee believes that Hawaii should investigate the feasibility of alternatives to certain requirements of the PPACA that are equally affordable and comprehensive but tailored to Hawaii's unique insurance market.

Your Committee has amended this measure by:

- (1) Establishing a state innovation waiver task force within the Office of the Governor that shall:
 - (A) Examine the feasibility of alternatives to certain health reforms in the PPACA;
 - (B) Develop a plan for applying for a state innovation waiver that meets the requirements of the PPACA, including options that offer innovations to the State's Medicaid program;
 - (C) Examine the feasibility of obtaining an exemption to or waiver from the allowable age-based variances in premium rates;
 - (D) Prepare a draft application for a state innovation waiver, to take effect for plan years beginning after January 1, 2017;
 - (E) Report its findings to the Legislature no later than twenty days prior to the convening of the Regular Session of 2016; and
 - (F) Be dissolved on June 30, 2017;
- (2) Appropriating an unspecified amount for the operations of the state innovation waiver task force; and



- (3) Changing the effective date to July 1, 2050, to facilitate further discussion on the measure.

As affirmed by the record of votes of the members of your Committee on Health that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 2525, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 2525, H.D. 1, and be referred to the Committee on Consumer Protection & Commerce.

Respectfully submitted on
behalf of the members of the
Committee on Health,

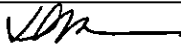

DELLA AU BELATTI, Chair



State of Hawaii
House of Representatives
The Twenty-seventh Legislature

HSR 242-14

Record of Votes of the Committee on Health

Bill/Resolution No.: <i>HB 2525</i>	Committee Referral: <i>HLT, CPC, FIN</i>	Date: <i>2/5/14</i>		
<input type="checkbox"/> The committee is reconsidering its previous decision on the measure.				
The recommendation is to: <input type="checkbox"/> Pass, unamended (as is) <input checked="" type="checkbox"/> Pass, with amendments (HD) <input type="checkbox"/> Hold <input type="checkbox"/> Pass short form bill with HD to recommit for future public hearing (recommit)				
HLT Members	Ayes	Ayes (WR)	Nays	Excused
1. BELATTI, Della Au (C)	✓			
2. MORIKAWA, Dee (VC)	✓			
3. CARROLL, Mele	✓			
4. CREAGAN, Richard	✓			
5. HASHEM, Mark J.	✓			
6. JORDAN, Jo		✓		
7. KOBAYASHI, Bertrand	✓			
8. OSHIRO, Marcus R.	✓			
9. WOODSON, Justin H.				✓
10. MATSUMOTO, Lauren Kealohilani	✓			
TOTAL (10)	8	1		1
The recommendation is: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted If joint referral, _____ did not support recommendation. committee acronym(s)				
Vice Chair's or designee's signature: 				
Distribution: Original (White) – Committee Duplicate (Yellow) – Chief Clerk's Office Duplicate (Pink) – HMSO				